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SUBJECT: ANGOLAN GOVERNMENT FOOD DISTRIBUTION SYTEM GETS
OFF THE GROUND

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¶1. (SBU) Summary: At a program cost of nearly USD 1 billion, the GRA,s food distribution and retail system, PRESILD, is up and running with great publicity and fanfare. Under PRESILD the GRA will create regional bonded warehouses, supermarkets in every province, open air markets in every municipality and even purchase bulk food commodities from abroad in an attempt to make more food available throughout the country at lower prices and under healthier conditions. Using foreign partners to construct and manage the markets initially, the GRA plans to privatize all the retail components by 2010. While the first markets have brought lower priced and higher quality goods to the market, the cost of the goods is still prohibitive for even Angolans who make the minimum wage (USD 93 per month). Many gaps remain on how the GRA will overcome the lack of roads to transport products efficiently and cheaply to the interior; how the spending will be monitored, and the level of transparency with which the privatization will occur. End Summary.

What is PRESILD?

¶2. (U) PRESILD - The Program of Restructuring of the Logistic and Distribution System of basic products to the people is a near USD 1 billion system designed to provide distribution of food throughout Angola which includes three regional bonded warehouses, thirty-one retail supermarkets and 162 open market facilities) one for each municipality in Angola. The aim is twofold: to ultimately enable the lower class to secure basic goods at a reasonable price and to develop outlets and the distribution system for locally-grown goods. In addition, the government will take on purchasing of food commodities from overseas in order to bring products to market more cheaply. In early announcements of the project it was also touted as a way to &break the foreign-held monopoly on food distribution which has caused such high food costs in Angola.⁸ Note: This was directly aimed at a group of Lebanese immigrants, who in partnership with well-connected Angolans, dominate the import of food stuffs into Angola. The government has backed off this argument after the markets began opening, however. End note.

¶3. (U) The GRA has opened six retail supermarkets since March 8, and in this first phase ending June 15, plan to inaugurate a total of eight Nosso Super,s (&our supermarkets⁸). The government has developed a lavish advertising campaign for the PRESILD project, and inundates the two national television stations with commercials. Each new Nosso Super is inaugurated by a high-ranking government official, with

President dos Santos taking the honors for the first super market, and each opening has enjoyed wide print coverage in the government-owned daily newspaper.

¶4. (U) Three supermarkets have been opened in Luanda, others are located in Lubango, Huambo and Malanje cities. The three in Luanda are located in the lower class areas of the city, near the intended consumer. Constructed by the Brazilian construction firm Odebrecht, according to a basic design and incorporating many pre-fab parts, the structures can be completed fairly quickly. P/E Chief visited the Sambizanga store: about 30,000 square feet large, well-lit, clean, with shelves stocked with goods. The staff of seventy, many of whom had been recruited from the Shoprite supermarket (a large South African run supermarket), was friendly and helpful in answering questions. The items in the basket of basic goods were prominently displayed along with a price list. Some locally grown fruits and vegetables were available as well.

¶5. (U) The basket of thirteen basic items (flour, sugar, salt, ground manioc, ground maize, powdered milk, dried fish, rice, beans, palm and vegetable oils, and soap) sells for 6,955 kwanzas, (USD 93) and is meant to provide basic foods for a family of six for one month. However, these items are only slightly cheaper at Nosso Super than at other grocery stores in town, and the total cost is still very high in a country where the minimum wage (recently increased) is only USD 93 per month.

Who Runs PRESILD?

¶6. (SBU) Officially PRESILD is under the leadership of Minister of Finance Pedro de Moraes, but Vice Minister of Commerce, Manuel da Cruz Neto, has been the hands-on leader of the process. He told emboffs that the PRESILD team was largely pulled from various ministries including Finance, Commerce, Transportation, and Industry, but has no dedicated

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office space any only a few of its own employees. Cruz Neto said that in addition to developing a food distribution and retail system, the government also wanted to develop local capacity to manage retail outlets and create employment. He noted that the GRA plans to privatize the entire system by ¶2010. The system will include three enormous warehouses, one each in Luanda (Vianna); Benguela and Malanje to serve as central distribution points for the north, center and southern parts of the country. These will begin operation in early 2008. The thirty one supermarkets are currently being constructed and operated in partnership with foreign companies but will pass to Angolan ownership within three years, in theory allowing the Angolan owners time to train along side more experienced management. Finally, the third phase of the project will encompass 162 open air markets) one for each municipality in Angola. These are designed to take the place of the informal outdoor markets which have grown spontaneously. They will be equipped with electricity, running water, refrigeration and washable surfaces in order to ensure healthier standards by providing vendors with sanitary means of safeguarding foodstuffs. These municipal markets will also include areas/shops for non-food items. Cruz Neto told us that the PRESILD team had conducted focus group sessions with current market entrepreneurs to learn their needs and discuss market realities such as how much additional rent they would be willing to pay for such basic amenities. These too will be privatized once operational and self-sufficient by 2010.

Comment: Why PRESILD?

¶7. (SBU) The GRA has devoted enormous time, energy, and funding into creating PRESILD. Some critics dismiss it as a return to a socialized economy, while others chalk it up as a pre-election deliverable. On paper it is an impressive project with many good intentions. First, in a disease

prevalent country such as Angola, providing healthy conditions for food storage and sales should have a great positive effect on the population. Second, before the civil war the Planalto (interior highland) provinces were the breadbasket of Angola and currently produce fruit and vegetables which rot on shelves due to the lack of an internal distribution system. By creating such a distribution system and retail outlets, the government can provide outlets for small farmers. Five years after the end of civil war, the Nosso Supers are the first supermarkets to appear in many provincial capitals (the South African Shoprite group is also expanding, but only to the larger regional capitals.) The ultimate success of this project depends on two factors -- improvement of the road infrastructure and increased domestic agricultural production. While efforts are underway to do both, it is unclear that they will be completed by 2010. Without more inexpensive and higher quality local production, and the means to get it to market, it is unclear that the Nosso Supers and future open air markets will be able to operate profitably and remain stocked. The future privatization of the system should also provide an excellent chance to gauge the extent of the Government's improvements in transparency.

End Comment
FERNANDEZ